

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Bois Blanc Township	County Mackinac
Fiscal Year End March 31, 2007	Opinion Date June 25, 2007	Date Audit Report Submitted to State August 15, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

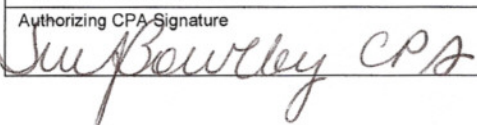
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-495-5952	
Street Address 16978 S. Riley Avenue		City Kincheloe	State MI
Zip 49788			
Authorizing CPA Signature 	Printed Name Sue. A. Bowlby	License Number 1101020765	

BOIS BLANC TOWNSHIP

BASIC FINANCIAL STATEMENTS

March 31, 2007

BOIS BLANC TOWNSHIP

ELECTED OFFICIALS

TOWNSHIP SUPERVISOR

LOREN GIBBONS

TOWNSHIP TREASURER

CHERYL GAHN

TOWNSHIP CLERK

JOAN SCHROKA

TOWNSHIP TRUSTEE

LANI WHITE

TOWNSHIP TRUSTEE

SHELBY NEWHOUSE

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Bois Blanc Township
PO Box 898, 808 Huron Drive
Pointe aux Pins, Michigan 49775

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bois Blanc Township, Michigan as of and for the year ended March 31, 2007, which collectively comprises the Township's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bois Blanc Township, Michigan as of March 31, 2007, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on page 3 and the budgetary comparison information are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Anderson, Tackman & Company, PLC
Certified Public Accountants

June 25, 2007

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The statement of net assets and the statement of activities report information about the Township as a whole and about its activities in a way that helps answer the question of whether the Township as a whole is better off or worse off as of a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method, used by most private-sector companies. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid.

The two statements mentioned above, report the Township's net assets and the changes in them. The reader can think of the Township's net assets (the difference between assets and liabilities) as one way to measure the Township's financial health or financial position. Over time, increases or decreases in the Township's net assets are one indicator of whether its financial health is improving or deteriorating.

In a condensed format, the table below shows the net assets of Bois Blanc Township.

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
Current Assets	\$ 978,802	\$ 915,418
Noncurrent Assets	<u>1,126,526</u>	<u>817,425</u>
Total Assets	<u>\$ 2,105,328</u>	<u>\$ 1,732,843</u>
Current Liabilities	\$ 18,372	\$ 64,653
Long-Term Liabilities	<u>237,791</u>	<u>88,242</u>
Total Liabilities	<u>256,163</u>	<u>152,895</u>
Net Assets:		
Invested in Capital Assets – (Net of Related Debt)	870,363	577,497
Unrestricted	<u>978,802</u>	<u>1,002,451</u>
Total Net Assets	<u>\$ 1,849,165</u>	<u>\$ 1,579,948</u>

The current level of unrestricted net assets for our governmental activities stands at \$978,802, or about 317% of expenses. This is within the targeted range set by the Township Board of Trustees during its last budget process.

The following table shows the activities of the Township.

	<u>Governmental Activities 2007</u>	<u>Governmental Activities 2006</u>
Program Revenues		
Charges for Services	\$ 17,737	\$ 26,415
General Revenues		
Property Taxes	319,001	328,505
State-Shared Revenues	6,380	13,984
Grants	169,245	173,736
Interest	20,076	20,183
Other Revenue	<u>45,305</u>	<u>22,632</u>
Total Revenues	<u>577,744</u>	<u>585,455</u>
Program Expenses		
Legislative	7,232	6,488
General Government	89,169	84,869
Public Safety	69,470	84,116
Public Works	62,782	50,564
Interest Expense	8,253	4,333
Depreciation Expense (unallocated)	<u>71,621</u>	<u>52,643</u>
Total Expenses	<u>308,527</u>	<u>283,013</u>
Changes in Net Assets	269,217	302,442
Net Assets – Beginning	<u>1,579,948</u>	<u>1,277,506</u>
Net Assets – Ending	<u>\$ 1,849,165</u>	<u>\$ 1,579,948</u>

The Township's Funds

Our analysis of the Township's major funds begins on page 8, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2007 include the General Fund, Airport, Law Enforcement, Fire, Rural Development, and Marina funds.

General Fund Budgetary Highlights

Over the course of the year, the Township Board amended the budget to take into account events during the year. The most significant change was the decrease in the estimated State Revenue Sharing. Township departments overall stayed below budget, resulting in total expenditures \$73,221 below budget. This allowed the General Fund's fund balance to increase from \$250,882 a year ago to \$253,684 at March 31, 2007.

Capital Asset and Debt Administration

At the end of 2007, the Township had \$1,126,526 invested in a broad range of capital assets, including airport, buildings, marina, and fire equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads the property of the Mackinac County Road Commission (along with the responsibility to maintain them).

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2008 calls for a freeze on property tax rates. This can be accomplished because of the strong growth in our tax base. Because of the impact of Proposal A, however, the Township needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township will grow less than by inflation, before considering new property additions. Also, reductions in State Revenue Sharing continues to hurt the Township.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Township Hall at: (231) 634-7275.

Basic Financial Statements

**Statement of Net Assets
March 31, 2007**

	<u>Governmental Activities</u>
ASSETS:	
Current Assets	
Cash & Equivalents - Unrestricted	\$ 937,288
Taxes Receivable	<u>41,514</u>
 TOTAL CURRENT ASSETS	 <u>978,802</u>
Noncurrent Assets	
Capital Assets, (Net of Accumulated Depreciation)	<u>1,126,526</u>
 TOTAL ASSETS	 <u><u>\$ 2,105,328</u></u>
LIABILITIES AND NET ASSETS:	
Current Liabilities	
Current portion of long term liabilities	<u>\$ 18,372</u>
 TOTAL CURRENT LIABILITIES	 <u>18,372</u>
Long Term Liabilities	
Notes Payable	<u>237,791</u>
 TOTAL LIABILITIES	 <u>256,163</u>
NET ASSETS:	
Invested in Capital Assets (net of related debt)	870,363
Unrestricted	<u>978,802</u>
 TOTAL NET ASSETS	 <u><u>\$ 1,849,165</u></u>

Bois Blanc Township, Michigan

Statement of Activities For the Year Ended March 31, 2007

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating-Grants Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:				
Legislative	\$ 7,232	\$ -	\$ -	\$ (7,232)
General Government	89,169	17,737	-	(71,432)
Public Safety	69,470	-	72,445	2,975
Public Works	62,782	-	96,800	34,018
Interest Expense	8,253	-	-	(8,253)
Depreciation (Unallocated)	71,621	-	-	(71,621)
Total Governmental Activities	<u>\$ 308,527</u>	<u>\$ 17,737</u>	<u>\$ 169,245</u>	(121,545)
General Revenues:				
Taxes				319,001
State Revenue Sharing & Other				6,380
Interest				20,076
Miscellaneous				45,305
Total General Revenues				<u>390,762</u>
Changes in Net Assets				269,217
Net Assets - Beginning				<u>1,579,948</u>
Net Assets - Ending				<u>\$ 1,849,165</u>

Bois Blanc Township, Michigan

Balance Sheet Governmental Funds March 31, 2007

	General Fund	Airport Fund	Law Enforcement Fund	Fire Fund	Rural Development	Marina Fund	Other Fund	Total Governmental Funds
ASSETS:								
Cash & Equivalents	\$ 242,464	\$ 81,583	\$ 131,415	\$ 124,019	\$ 609	\$ 305,564	\$ 51,634	\$ 937,288
Taxes & Other Receivables	17,310	7,518	2,383	4,901	10	7,151	2,241	41,514
Due from Other Funds	-	1,286	-	2,604	-	1,132	2,819	7,841
TOTAL ASSETS	<u>\$ 259,774</u>	<u>\$ 90,387</u>	<u>\$ 133,798</u>	<u>\$ 131,524</u>	<u>\$ 619</u>	<u>\$ 313,847</u>	<u>\$ 56,694</u>	<u>\$ 986,643</u>
LIABILITIES:								
Due to Other Funds	\$ 6,090	\$ -	\$ 1,706	\$ -	\$ 45	\$ -	\$ -	\$ 7,841
TOTAL LIABILITIES	<u>6,090</u>	<u>-</u>	<u>1,706</u>	<u>-</u>	<u>45</u>	<u>-</u>	<u>-</u>	<u>7,841</u>
FUND BALANCES:								
Unreserved:								
Undesignated	253,684	90,387	132,092	131,524	574	313,847	56,694	978,802
TOTAL FUND BALANCES	<u>253,684</u>	<u>90,387</u>	<u>132,092</u>	<u>131,524</u>	<u>574</u>	<u>313,847</u>	<u>56,694</u>	<u>978,802</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 259,774</u>	<u>\$ 90,387</u>	<u>\$ 133,798</u>	<u>\$ 131,524</u>	<u>\$ 619</u>	<u>\$ 313,847</u>	<u>\$ 56,694</u>	

Reconciliation to amounts reported for governmental activities in the statement of net assets:

Capital assets used by governmental activities are not financial resources and therefore not reported in the funds
Long term notes payable principal

1,126,526
(256,163)

Net assets of governmental activities

\$ 1,849,165

Bois Blanc Township, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended March 31, 2007

	General Fund	Airport Fund	Law Enforcement Fund	Fire Fund	Rural Development	Marina Fund	Other Fund	Totals Governmental Funds
REVENUES:								
Taxes	\$ 120,836	\$ 59,549	\$ 20,221	\$ 38,624	\$ -	\$ 60,679	\$ 19,092	\$ 319,001
Federal Sources	-	-	-	-	96,800	-	-	96,800
State Sources	6,380	71,675	770	-	-	-	-	78,825
Charges for Services	10,600	-	-	-	-	-	7,137	17,737
Interest	4,720	940	3,286	2,738	-	7,484	908	20,076
Rentals	-	-	-	400	-	1,803	-	2,203
Other Revenue	19,046	3,151	207	300	-	20,398	-	43,102
TOTAL REVENUES	161,582	135,315	24,484	42,062	96,800	90,364	27,137	577,744
EXPENDITURES:								
General Government	89,169	-	-	-	-	-	-	89,169
Legislative	7,232	-	-	-	-	-	-	7,232
Public Safety	7,608	-	32,034	29,828	-	-	-	69,470
Public Works	18,350	11,848	-	-	-	10,892	21,692	62,782
Debt Service	-	12,969	-	15,421	-	-	-	28,390
Capital Outlay	-	71,675	-	-	309,047	-	-	380,722
TOTAL EXPENDITURES	122,359	96,492	32,034	45,249	309,047	10,892	21,692	637,765
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	39,223	38,823	(7,550)	(3,187)	(212,247)	79,472	5,445	(60,021)
OTHER FINANCING SOURCES (USES)								
Loan Proceeds	-	-	-	-	176,400	-	-	176,400
Transfers In	8,989	-	-	-	45,410	-	-	54,399
Transfers Out	(45,410)	-	-	-	(8,989)	-	-	(54,399)
TOTAL OTHER FINANCING SOURCES (USES)	(36,421)	-	-	-	212,821	-	-	176,400
NET CHANGES IN FUND BALANCES	2,802	38,823	(7,550)	(3,187)	574	79,472	5,445	116,379
FUND BALANCES, APRIL 1	250,882	51,564	139,642	134,711	-	234,375	51,249	862,423
FUND BALANCES, MARCH 31	\$ 253,684	\$ 90,387	\$ 132,092	\$ 131,524	\$ 574	\$ 313,847	\$ 56,694	\$ 978,802

See accompanying notes to financial statements.

Bois Blanc Township, Michigan

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended March 31, 2007

Net changes in fund balances - total governmental funds	\$ 116,379
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation.

Capital Outlay	380,722
Depreciation expense	(71,621)

Repayment of debt principal is an expenditure in the governmental funds, the repayment does not have an effect in the statement of activities but does reduce the debt balance in the statement of net assets.

Loan proceeds are recognized as other financing sources, but not for the full accrual basis.

Loan Proceeds	(176,400)
Principal payments on long-term debt	<u>20,137</u>

Changes in net assets of governmental activities	<u><u>\$ 269,217</u></u>
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**Statement of Fiduciary Net Assets
Fiduciary Funds
March 31, 2007**

	<u>Current Tax Collection Fund</u>
ASSETS:	
Cash & Equivalents	<u>\$ 64,669</u>
 TOTAL ASSETS	 <u><u>\$ 64,669</u></u>
LIABILITIES:	
Due to Other Units	<u>\$ 64,669</u>
 TOTAL LIABILITIES	 <u><u>\$ 64,669</u></u>

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Bois Blanc Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Township:

A – Financial Reporting Entity:

Bois Blanc Township ("The Township") is a regular law Michigan township located on an island in Mackinac County, Michigan.

The Township operates under an elected Board of Trustees and provides services to its residents in many areas including ambulance protection, community enrichment, and development.

The Township, for financial purposes, includes all of the funds and account groups relevant to the operations of Bois Blanc Township. The financial statements herein do not include agencies which have been formed under applicable State laws or separate and distinct units of government apart from Bois Blanc Township.

B – Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable – Current or Property Taxes

The Bois Blanc Township property tax is levied on each December 1st and July 1st on the taxable valuation of property (as defined by State statutes) located in the County of Mackinac as of the preceding December 31st.

The December 1, 2006 taxable valuation of Bois Blanc Township totaled \$23,742,861, on which ad valorem taxes levied consisted of 1.3835 mills for the Township operating. This amount is recognized in the General Fund financial statements as tax revenue.

In addition to collecting their taxes, the Township also acts as a collection agent for all overlapping governments in the Township. The Township's portion of the tax is collected between December 1 and February 28. Unpaid taxes are subsequently turned over to the County Treasurer for collection. The County maintains a tax revolving fund which permits the County to pay the Township 100% of the delinquent real taxes within approximately two to three months after the delivery of the delinquent bills.

The Township reports the following major governmental funds:

General Fund

This is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Airport Fund

This Fund accounts for airport services for residents of Bois Blanc Township.

Law Enforcement Fund

This Fund accounts for law enforcement services for residents of Bois Blanc Township.

Fire Fund

This Fund accounts for fire protection services for residents of Bois Blanc Township.

Rural Development

This Fund accounts for rural development grant activities of the Bois Blanc Township.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Marina Fund

This Fund accounts for marina services for residents of Bois Blanc Township.

Additionally, the Township reports the following funds:

Agency Funds

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D - Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds and is allocated to each fund based on average cash balance. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.”

Capital Assets – Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant, and equipment are depreciated using the straight-line method over the following useful lives:

Buildings and Improvements	15 - 39 years
Equipment and Furniture	3 - 10 years

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Fund Balance – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Interfund Transfers – During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by Township management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information – The Township Board created a budget for fiscal year 2007.

Budgets and Budgetary Control – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each March, after receiving input from the individual departments, the Board prepares a proposed operating budget for the fiscal period commencing April 1 and lapses on March 31. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted through a resolution passed by the Township Board.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Trustees. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The Township does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year-end.

Budgeted amounts are as originally adopted or amended by the Board of Trustees during the year. Individual amendments were not material in relation to the original appropriations, which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year end, the Township's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Cash and Cash Equivalents	\$ 937,288	\$ 64,669
Total	<u>\$ 937,288</u>	<u>\$ 64,669</u>

The Township's deposits are located in one local financial institution. Deposits are carried at cost.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Investment and Deposit Risk

Interest rate risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments.

Credit risk. The Township has no investments for which ratings are required.

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$749,772 of the Township's bank balance of \$1,003,699 was exposed to credit risk because it was uninsured and uncollateralized.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the Township to deposit and invest in one or more of the following:

- a. Bond, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Township's deposits are in accordance with statutory authority.

NOTE 4 - RECEIVABLES

Receivables as of year-end for the government's individual major and nonmajor funds are as follows:

Receivables:	
Taxes receivable	<u>\$ 41,514</u>

NOTE 5 - CAPITAL ASSETS

A summary of capital assets are as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Adjustments</u>	<u>Ending Balances</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 18,016	\$ -	\$ -	\$ 18,016
Construction in Progress	<u>140,028</u>	<u>-</u>	<u>(140,028)</u>	<u>-</u>
Subtotal	<u>158,044</u>	<u>-</u>	<u>(140,028)</u>	<u>18,016</u>
<i>Capital assets being depreciated:</i>				
Land Improvements	787,192	56,580	140,028	983,800
Buildings and Improvements	296,700	110,317	-	407,017
Furniture, Fixtures, and Equipment	<u>100,000</u>	<u>213,825</u>	<u>-</u>	<u>313,825</u>
Subtotal	<u>1,183,892</u>	<u>380,722</u>	<u>140,028</u>	<u>1,704,642</u>
<i>Less accumulated depreciation</i>	<u>(524,511)</u>	<u>(71,621)</u>	<u>-</u>	<u>(596,132)</u>
Total capital assets being Depreciated – net	<u>659,381</u>	<u>309,101</u>	<u>140,028</u>	<u>1,108,510</u>
Total Governmental Activities Capital Assets	<u>\$ 817,425</u>	<u>\$ 309,101</u>	<u>\$ -</u>	<u>\$ 1,126,526</u>

NOTE 5 - CAPITAL ASSETS (Continued)

Depreciation for the fiscal year ended March 31, 2007 amounted to \$71,621. The Township determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

The Township reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund Receivables and Payable are as follows:

DUE TO OTHER FUNDS	DUE FROM OTHER FUNDS					
	Airport Fund	Fire Fund	Marina Fund	Other Funds	Total	
	General Fund	\$ 1,286	\$ 2,604	\$ 1,132	\$ 1,068	\$ 6,090
	Law Enforcement Fund	-	-	-	1,706	1,706
	Rural Development Fund	-	-	-	45	45
	<u>\$ 1,286</u>	<u>\$ 2,604</u>	<u>\$ 1,132</u>	<u>\$ 2,819</u>	<u>\$ 7,841</u>	

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

		TRANSFERS OUT		
		General Fund	Rural Development Fund	Total
TRANSFERS IN	General Fund	\$ -	\$ 45,410	\$ 45,410
	Rural Development Fund	<u>8,989</u>	<u>-</u>	<u>8,989</u>
	Total	<u>\$ 8,989</u>	<u>\$ 45,410</u>	<u>\$ 54,399</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 - LONG-TERM DEBT

The following is a summary of changes in the Long-Term Debt for the year ending March 31, 2007.

	Balance 04/01/06	Additions	Deductions	Balance 03/31/07	Due Within One Year
Note Payable, secured by equipment, due in varying annual installments, interest accruing at 4.25% through 2007.	\$ 3,600	\$ 176,400	\$ (11,000)	\$ 169,000	\$ 10,000
Note Payable, Michigan Aeronautics Commission, due in annual installments of \$11,814, interest accruing at 3.9% through September 13, 2014.	96,300	-	(9,137)	87,163	8,372
TOTAL LONG-TERM DEBT	\$ 99,900	\$ 176,400	\$ (20,137)	\$ 256,163	\$ 18,372

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End March 31</u>	<u>Governmental Activities Principal</u>
2008	\$ 18,372
2009	18,699
2010	19,038
2011	19,390
2012	19,757
2013 – 2016	160,907
Total	<u>\$ 256,163</u>

NOTE 8 - CONTINGENCIES:

Risk Management – The Township of Bois Blanc is exposed to various risks of loss related to property loss, torts, errors, and omissions, employee injuries, as well as workmen’s compensation benefits provided to employees. The Township participates in the Michigan Township Participating Plan for general liability, property loss, automobile, professional, public official errors and omissions liabilities. In addition, the Township has purchased commercial insurance for workmen’s compensation benefits.

Settled claims for the insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverages obtained through insurance during the past year.

The Township and component units have received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Township. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the Township at March 31, 2007.

Required Supplementary Information

Bois Blanc Township, Michigan

Required Supplementary Information Budgetary Comparison Schedule General Fund For the Year Ended March 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 124,000	\$ 124,000	\$ 120,836	\$ (3,164)
State Sources	5,000	5,000	6,380	1,380
Interest	3,000	3,000	4,720	1,720
Charges for Services	11,700	11,700	10,600	(1,100)
Miscellaneous	1,300	1,300	19,046	17,746
TOTAL REVENUES	145,000	145,000	161,582	16,582
EXPENDITURES:				
Legislative:				
Township Board	6,900	7,320	7,232	88
Total Legislative:	6,900	7,320	7,232	88
General Government:				
Supervisor	9,650	9,650	9,164	486
Treasurer	27,400	27,400	25,809	1,591
Clerk	12,500	12,500	11,705	795
Assessor	21,825	21,825	17,546	4,279
Board of Review	935	935	627	308
Township Hall & Grounds Activities	28,000	26,240	19,871	6,369
Cemetery	1,400	1,400	810	590
Elections	2,180	1,760	1,365	395
Professional	10,000	10,000	2,272	7,728
Total General Government	113,890	111,710	89,169	22,541
Public Safety:				
Planning and Zoning	17,200	18,200	7,608	10,592
Total Public Safety	17,200	18,200	7,608	10,592
Public Works:				
Road Work	13,000	18,350	18,350	-
Total Public Works	13,000	18,350	18,350	-
Capital Outlay	30,000	30,000	-	30,000
Contingency	10,000	10,000	-	10,000
TOTAL EXPENDITURES	190,990	195,580	122,359	73,221
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(45,990)	(50,580)	39,223	89,803
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	8,989	(8,989)
Transfers Out	-	(45,410)	(45,410)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(45,410)	(36,421)	(8,989)
NET CHANGES IN FUND BALANCES	\$ (45,990)	\$ (95,990)	2,802	\$ 80,814
FUND BALANCE, APRIL 1			250,882	
FUND BALANCE, MARCH 31			<u>\$ 253,684</u>	

Bois Blanc Township, Michigan

Required Supplementary Information Budgetary Comparison Schedule Airport Fund For the Year Ended March 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Property Taxes	\$ 50,000	\$ 50,000	\$ 59,549	\$ 9,549
State Grants	-	71,675	71,675	-
Interest	-	-	940	940
Miscellaneous	6,700	6,700	3,151	(3,549)
TOTAL REVENUES	56,700	128,375	135,315	6,940
EXPENDITURES:				
Public Works:				
Airport	11,325	11,325	11,848	(523)
Debt Service	20,000	20,000	12,969	7,031
Capital Outlay	15,400	87,075	71,675	15,400
TOTAL EXPENDITURES	46,725	118,400	96,492	21,908
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 9,975	\$ 9,975	38,823	\$ (14,968)
FUND BALANCE, APRIL 1			51,564	
FUND BALANCE, MARCH 31			\$ 90,387	

Bois Blanc Township, Michigan

Required Supplementary Information Budgetary Comparison Schedule Law Enforcement Fund For the Year Ended March 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Property Taxes	\$ 21,000	\$ 21,000	\$ 20,221	\$ (779)
Interest	3,000	3,000	3,286	286
Miscellaneous	800	800	977	177
 TOTAL REVENUES	 24,800	 24,800	 24,484	 (316)
EXPENDITURES:				
Public Safety:				
Law Enforcement	47,300	47,300	32,034	15,266
Contingency	10,000	10,000	-	10,000
Capital Outlay	45,000	45,000	-	45,000
 TOTAL EXPENDITURES	 102,300	 102,300	 32,034	 70,266
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 \$ (77,500)	 \$ (77,500)	 (7,550)	 \$ (70,582)
 FUND BALANCE, APRIL 1			 139,642	
 FUND BALANCE, MARCH 31			 \$ 132,092	

Bois Blanc Township, Michigan

Required Supplementary Information Budgetary Comparison Schedule Fire Fund For the Year Ended March 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Property Taxes	\$ 41,000	\$ 41,000	\$ 38,624	\$ (2,376)
Rent	500	500	400	(100)
Interest	1,500	1,500	2,738	1,238
Miscellaneous	500	500	300	(200)
TOTAL REVENUES	43,500	43,500	42,062	(1,438)
EXPENDITURES:				
Public Safety:				
Fire Protection	61,300	63,299	29,828	33,471
Debt Service	14,000	15,421	15,421	-
Contingency	10,000	6,579	-	6,579
Capital Outlay	11,000	11,000	-	11,000
TOTAL EXPENDITURES	96,300	96,299	45,249	51,050
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (52,800)	\$ (52,799)	(3,187)	\$ (52,488)
FUND BALANCE, APRIL 1			134,711	
FUND BALANCE, MARCH 31			\$ 131,524	

Bois Blanc Township, Michigan**Required Supplementary Information
Budgetary Comparison Schedule
Marina Fund
For the Year Ended March 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Property Taxes	\$ 65,000	\$ 65,000	\$ 60,679	\$ (4,321)
Rent	2,000	2,000	1,803	(197)
Interest	6,000	6,000	7,484	1,484
Miscellaneous	17,100	17,100	20,398	3,298
TOTAL REVENUES	90,100	90,100	90,364	264
EXPENDITURES:				
Public Works:				
Marina	35,100	35,100	10,892	24,208
Capital Outlay	150,000	150,000	-	150,000
Contingency	20,000	20,000	-	20,000
TOTAL EXPENDITURES	205,100	205,100	10,892	194,208
EXCESS (DEFICIENCY) OF				
REVENUES OVER EXPENDITURES	\$ (115,000)	\$ (115,000)	79,472	\$ (193,944)
FUND BALANCE, APRIL 1			234,375	
FUND BALANCE, MARCH 31			\$ 313,847	

Bois Blanc Township, Michigan**Required Supplementary Information
Budgetary Comparison Schedule
Rural Development
For the Year Ended March 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ 112,500	\$ 112,500	\$ 96,800	\$ (15,700)
TOTAL REVENUES	112,500	112,500	96,800	(15,700)
EXPENDITURES:				
Public Works:				
Capital Outlay	303,015	325,320	309,047	16,273
TOTAL EXPENDITURES	303,015	325,320	309,047	16,273
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(190,515)	(212,820)	(212,247)	(31,973)
OTHER FINANCING SOURCES (USES)				
Loan proceeds	176,400	176,400	176,400	-
Transfers In	14,115	45,410	45,410	-
Transfers Out	-	(8,990)	(8,989)	(1)
TOTAL OTHER FINANCING SOURCES (USES)	190,515	212,820	212,821	(1)
NET CHANGES IN FUND BALANCES	\$ -	\$ -	574	\$ (31,974)
FUND BALANCE, APRIL 1			-	
FUND BALANCE, MARCH 31			\$ 574	



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

Members of the Board
Bois Blanc Township
Pointe aux Pins, MI 49775

Communicating Internal Control

In planning and performing our audit of the financial statements of the Bois Blanc Township, Michigan as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Bois Blanc Township, Michigan's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

The Standards of Field Work

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

- Inadequate design of internal controls over financial statement preparation
- Inadequate procedures for appropriately assessing and applying accounting principles

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

- Inadequate procedures for appropriately assessing and applying accounting principles

This communication is intended solely for the information and use of management and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC".

Anderson, Tackman & Company, PLC
Certified Public Accountants

June 25, 2007



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

REPORT TO MANAGEMENT

Members of the Board
Bois Blanc Township
Pointe aux Pins, MI 49775

We have audited the financial statements of Bois Blanc Township, Michigan for the year ended March 31, 2007, and have issued our report thereon dated June 25, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of Bois Blanc Township, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Bois Blanc Township, Michigan are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed. We noted no transactions entered into by Bois Blanc Township, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is Depreciation Expense.

Management's estimate of Depreciation Expense is based on the estimated useful life of the depreciable long-lived asset. We evaluated the key factors and assumptions used to develop Depreciation Expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by Bois Blanc Township, Michigan which could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on Bois Blanc Township, Michigan's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreement arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Bois Blanc Township, Michigan's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Bois Blanc Township, Michigan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Comments and Recommendations

Personal Property Taxes

Currently, the Township is not recording the amount of outstanding delinquent personal property taxes that are due to the Township in the general ledger. It is recommended the Township record the amount of outstanding delinquent personal property taxes in the general ledger of each fund that has a tax levy. The Township should maintain subsidiary ledgers which show the amount of delinquent personal property taxes owed by each taxing unit by individual tax year.

Fraud Policy

With the implementation of Statement of Auditing Standards No. 99, auditors are required to assess policies and procedures regarding fraud risks within a governmental entity. The Board does not have a "fraud policy" which would address fraud or suspected fraud and related board actions. We recommend the Board adopt a fraud policy in compliance with SAS No. 99.

Accrual Basis of Accounting (Repeat)

The Township needs to incorporate the modified accrual basis of accounting into its interim financial statements. Numerous adjustments were made to attain the modified accrual basis of accounting.

Policies (Repeat)

During several discussions with the Township Treasurer, we found the Township does not have written policies for accounting procedures and a Township disaster recovery plan. It is recommended the Township prepare and adopt written policies for accounting procedures and a disaster recovery plan.

Conflict of Interest/Competitive Bids (Repeat)

The Township currently has no conflict of interest policy or a competitive bid policy in place. These policies ensure related parties abstain from voting on related issues and allow for competitive pricing on contracts the Township enters into.

State Grants (Repeat)

The Township receives as a subrecipient several grants administered by the State. The dollars expended on the Township's behalf should be recorded on the Township's accounting system to properly account for these grants.

Conclusion

This information is intended solely for the use of the Board of Directors and management of Bois Blanc Township, Michigan and should not be used for any other purpose.

We would like to express our appreciation, as well as that of our staff, for the excellent cooperation we received while performing the audit. If we can be of any assistance in implementing the above recommendations, please contact us.



Anderson, Tackman & Company, PLC
Certified Public Accountants

June 25, 2007